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RUCNMEM/EU MEMBER STATES COLLECTIVE
RUEHAK/AMEMBASSY ANKARA 5856
RUEHBJ/AMEMBASSY BEIJING 3564
RUEHKO/AMEMBASSY TOKYO 3423
RUEHIT/AMCONSUL ISTANBUL 4098
RUEKJCS/JOINT STAFF WASHDC
RUEAIIA/CIA WASHDC
RUCPDOG/DEPT OF COMMERCE WASHDC
RHEFDIA/DIA WASHDC
RHEBAAA/DEPT OF ENERGY WASHDC
RHEHNSC/NSC WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUEKJCS/SECDEF WASHINGTON DC
RUCNDT/USMISSION USUN NEW YORK 1234
RUEHVEN/USMISSION USOSCE 4060

C O N F I D E N T I A L SECTION 01 OF 03 ASHGABAT 001422

SIPDIS

STATE FOR SCA/CEN; EEB;
ENERGY FOR EKIMOFF/BURPOE/COHEN
COMMERCE FOR EHOUSE

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TAGS: [EPET](#) [ECON](#) [PGOV](#) [EINV](#) [BTIO](#) [TX](#)
SUBJECT: TURKMENISTAN: SCHLUMBERGER HOPES TO EXPAND BUSINESS

REF: A. ASHGABAT 1353
[1](#)B. ASHGABAT 1224

Classified By: Charge Sylvia Reed Curran for reasons 1.4 (b) and (d).

[1](#)1. (C) SUMMARY. Oil and gas service giant Schlumberger has been operating in Turkmenistan since 1999. The company maintains excellent business ties with state-owned oil concern Turkmennebit, and has plans to partner with the state-owned gas company Turkmengaz in the near future. Company representatives acknowledged that other foreign oil and gas service companies are taking a greater interest in Turkmenistan, but stressed that Schlumberger has won the trust and respect of the GOTX by investing in training for Turkmen employees and providing state-of-the-art solutions for Turkmenistan's national energy companies. As a result, the company's business is reportedly improving from year-to-year. Schlumberger reps in Balkanabat also asserted that it seems more likely that the GOTX will enter a deal with one or more U.S. oil and gas companies in the near future, which would likely result in more business for Schlumberger. END SUMMARY.

[1](#)2. (C) On November 3, Economic Officer visited Schlumberger's large service facilities in the western city of Balkanabat. Schlumberger officially expressed interest in establishing a presence in Turkmenistan in 1998. In 1999, the company signed its first contract with Turkmennebit and began operations in the western city of Balkanabat the same year, providing oil well services (Ref B). The company currently employs 24 expats and over 100 local employees. The large facility is enclosed by a tall, worn, stucco wall, but the facilities inside are well constructed, well maintained, and up to Western standards for safety and aesthetics. Schlumberger also houses multi-million dollar drilling equipment, wiring technologies, and equipment testing chambers on the compound under tight 24-hour security. Schlumberger's bustling facility with modern equipment and foreign employees seemed out of place in the slow-paced, desert city of Balkanabat.

A COMPOUND FOR EXPATS...

13. (C) The facility's Operations Manager and Egyptian national Sherif Essam provided a tour of the facilities which included a cluster of 25 small buildings in the middle of the compound that serve as housing for Schlumberger's expat employees. Essam explained that when Schlumberger first opened its facilities in Balkanabat, a few expats were deported for "incidents" involving Turkmen citizens. As a result, the company requires all expat employees to live on the compound and be back in their quarters by 11:00 pm each day. Essam then showed off the facility's heated pool, large fitness center, movie theater, dining hall, and storage room for food products imported from Dubai. The company also provides satellite-generated, high speed Internet and luxury buses for employee travel to Ashgabat.

14. (C) Essam explained that Schlumberger hired a local company "ombudsman" who is fluent in Turkmen and Russian to intervene on behalf of Schlumberger expats that "run into trouble" with local authorities." Since they hired this ombudsman, he added, company employees have reported less harassment and extortion by local police. (NOTE: All vehicles registered to foreign companies in Turkmenistan have bright yellow license plates, which make it easy for local police to identify and pull-over foreign business people and extort money from them. END NOTE.) According to the facilities manager, Schlumberger's relationship with the GOTX has improved year-to-year, but suspicion regarding the company's intentions in Turkmenistan still remains, even at

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high government levels. As a result, Schlumberger continues to develop programs intended to win the trust and support of the GOTX.

...AND TRAINING AND OPPORTUNITIES FOR TURKMEN EMPLOYEES

15. (C) The Schlumberger rep described the company as committed to helping the Turkmen develop their own cadre of highly skilled petroleum workers and managers. He explained that the company has invested heavily in the training and development of younger Turkmen employees, and frequently sends Turkmen employees to company training centers in Paris, Houston, and Abu Dhabi for 3-month training sessions. Essam also described the company's intent to eventually replace expat field service managers (FSM) with Turkmen FSMs, but doubted that employees educated in Turkmenistan would have the educational background and English language skills needed to become managers. He stated that all Turkmen employees under consideration for FSM positions are graduates of institutions outside of Turkmenistan, and almost of them speak English, the facility's lingua franca and a prerequisite for receiving advanced training in other countries. He expressed disappointment that the GOTX had prevented Turkmen students from attending the American University in Central Asia (AUCA) in Bishkek, Kyrgyzstan, noting that several of Schlumberger's best employees were graduates of AUCA.

A HYDROCARBON SOLUTIONS COMPANY

16. (C) The Schlumberger rep described the company as a "solutions provider" rather than a service provider, noting that the company has plans to partner with Turkmenengaz in developing Turkmenistan's vast natural gas resources, in addition to the work it already does in the Turkmen oil sector. Schlumberger's Essam underscored the technical and technological challenges that Turkmen companies face in developing the country's oil resources, stressing that both oil and natural gas extraction in Turkmenistan is extremely complicated due to high sulfuric acid, high temperature, and high pressure in the wells. He referred to two oil rigs that were lost in February and March of 2009, when Turkmennebit tried to develop oil fields on its own. Essam indicated that

Schlumberger would use a lot of the current technologies and equipment that it uses in Turkmen oil fields to partner with Turkmengaz to develop the country's large natural gas resources. He added that Schlumberger's competitor's in Turkmenistan include Weatherford, BJ Services, Baker Hughes, and Haliburton, adding that none of those competitors are as financially committed to Turkmenistan as Schlumberger.

RUMORS OF POSSIBLE DEALS FOR U.S. ENERGY COMPANIES

¶7. (C) Schlumberger's Essam also mentioned that he had been in contact with Chevron reps who reportedly told him that Chevron was hoping to start operations in Turkmenistan soon and would consider working with Schlumberger. Although Essam did not elaborate, he did confirm that Chevron would reportedly partner with the Turkmen to develop natural gas deposits (Ref A). Essam stated that he had indications from Turkmen contacts that the GOTX was warming up to U.S. companies, adding that ConocoPhillips was a likely candidate for developing an offshore block in the Caspian in the near future. Essam also stressed that the Turkmen have lately been addressing Schlumberger as a U.S. company, whereas in the past they viewed Schlumberger as a French company. Essam noted that this change was more than semantic, as he felt the Turkmen were gearing up for big business with U.S. energy companies, and the GOTX understood Schlumberger's role in providing crucial services for large U.S. energy companies.

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¶8. COMMENT. Schlumberger's operations in western Turkmenistan have been expanding since the company set up its facilities in Balkanabat in 1999. Schlumberger has learned that entering Turkmenistan's highly guarded energy sector is a long-term commitment that requires foreign companies to be patient and flexible. If future energy deals between the GOTX and U.S. energy companies actually materialize, Schlumberger appears to be a front-runner among the few foreign oil and gas service companies currently doing business in Turkmenistan. END COMMENT.
CURRAN